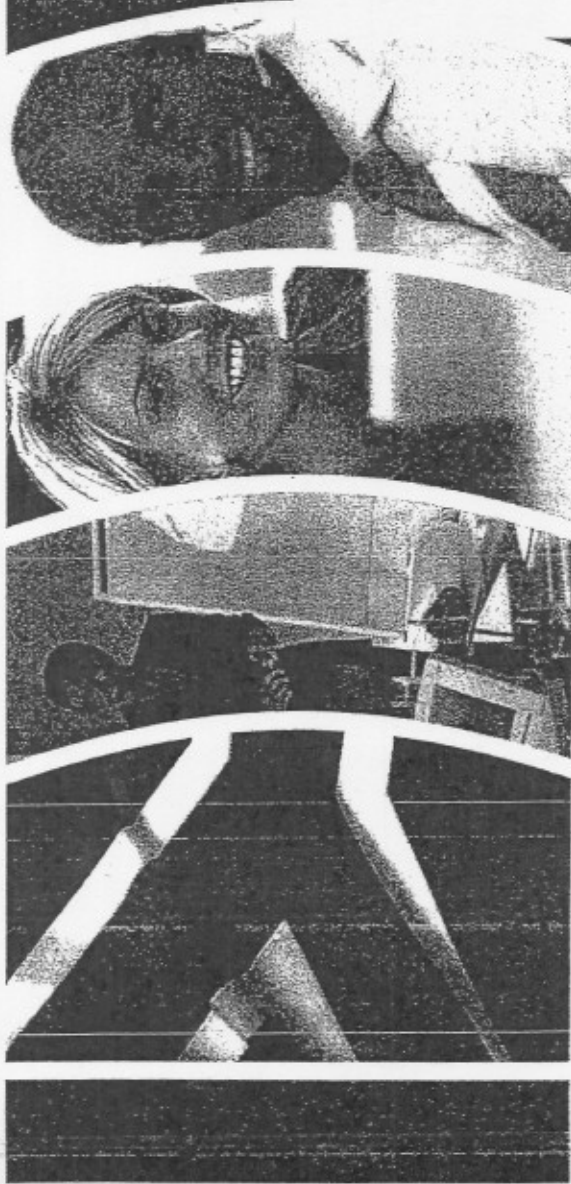
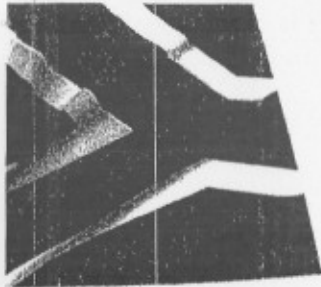




AUDITOR - GENERAL

Municipalities 2006-07 Audit Outcomes





Municipalities 2006-07 Status of audit completion (per province) – as at date of road shows



AUDITOR - GENERAL

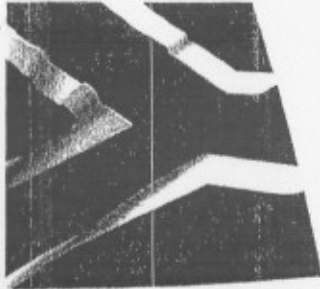
PROVINCE	TOTAL	AFS RECEIVED	AUDITS COMPLETED	PERCENTAGE COMPLETION
Western Cape	30	30	30	100%
KwaZulu Natal	61	61	54	89%
Gauteng	14	14	14	100%
Eastern Cape	45	45	40	89%
Northern Cape	32	32	32	100%
Mpumalanga	21	21	21	100%
North West	25	23	21	84%
Free State	25	22	19	76%
Limpopo	30	28	16	53%
Overall	283	276	247	87%

The main reasons for the delay in completion were:

1. AG capacity constraints in finalising prior year audit backlogs and annual financial statements that were not submitted on time (KwaZulu Natal, Eastern Cape, North West and Free State, Limpopo)
2. Annual financial statements of certain municipalities are still outstanding (North West, Free State and Limpopo)



Presentation to the NCOP



Municipalities 2006-07 Audit conclusions - overall



AUDITOR - GENERAL

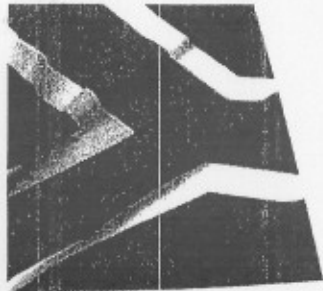
AUDIT OPINION	2006-07		2005-06	
	No.	%	No.	%
Adverse	22	9%	24	10%
Disclaimer	101	41%	117	47%
Qualified	68	28%	60	24%
Financially unqualified (with other matters)	54	22%	44	18%
Financially unqualified (with no other matters)	2	1%	2	1%
TOTAL ANALYSED	247	100%	247	100%

Overall comment:

1. There has been a modest overall improvement in all categories of audit opinions, with 23% of municipalities having financially unqualified accounts, 28% qualified and 50% with worst opinions



Presentation to the NCOP

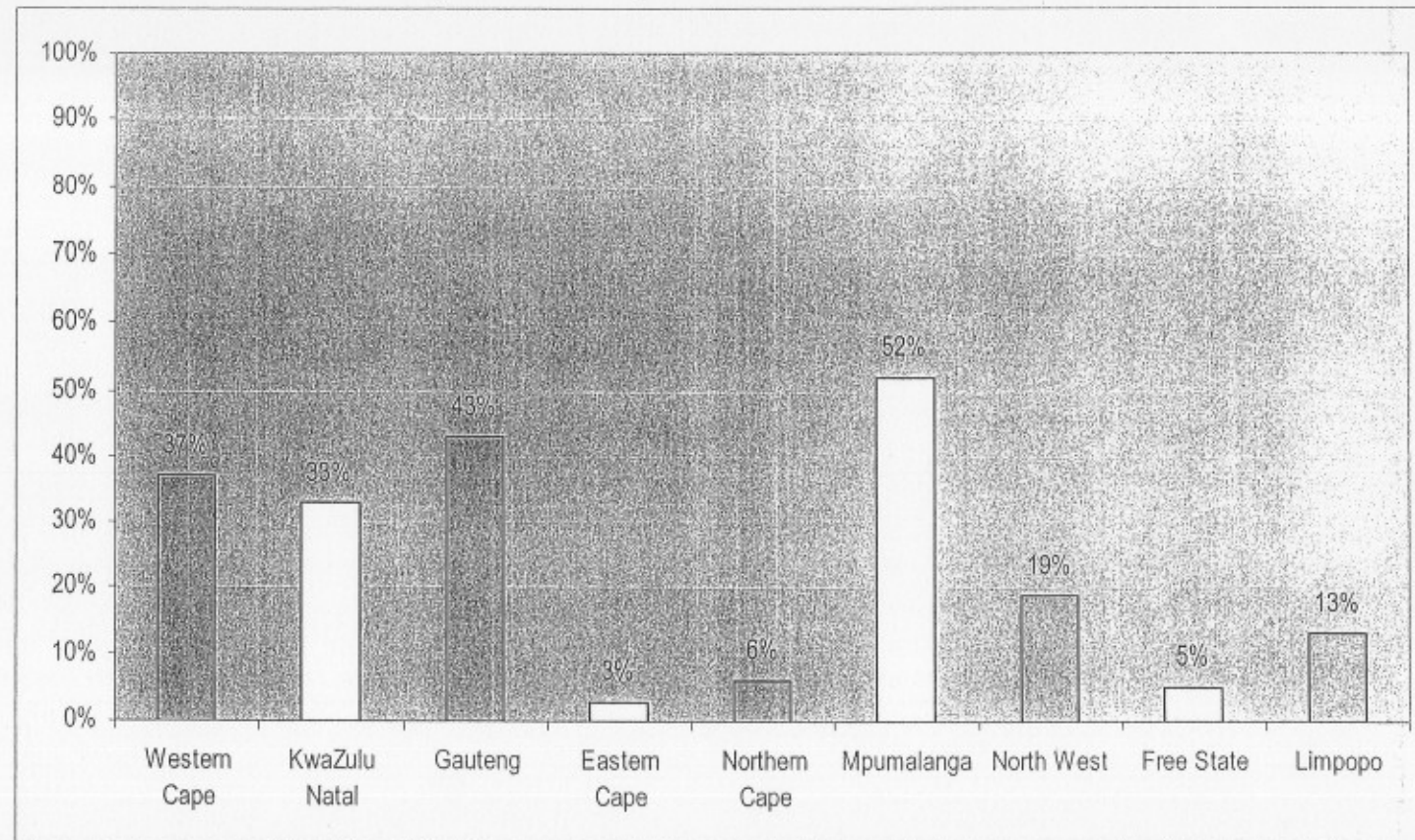


Municipalities 2006-07

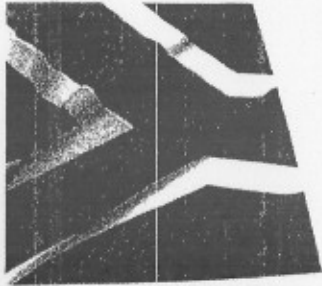
Overall financially unqualified 23% (with and without other matters) audit opinions



AUDITOR - GENERAL



Presentation to the NCOP

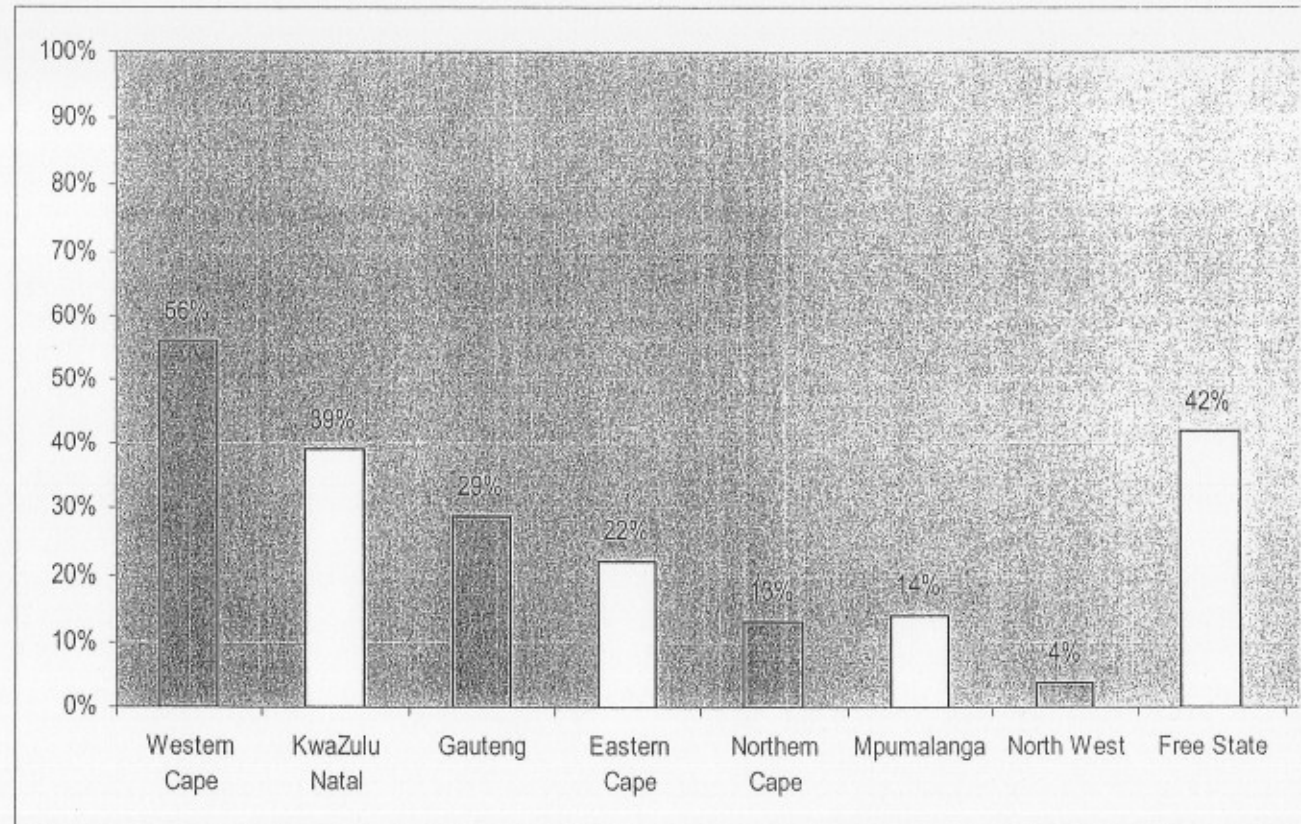


Municipalities 2006-07

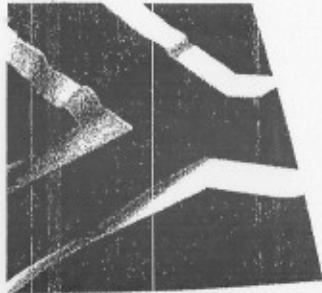
Overall qualified (28%) audit opinions



AUDITOR



Presentation

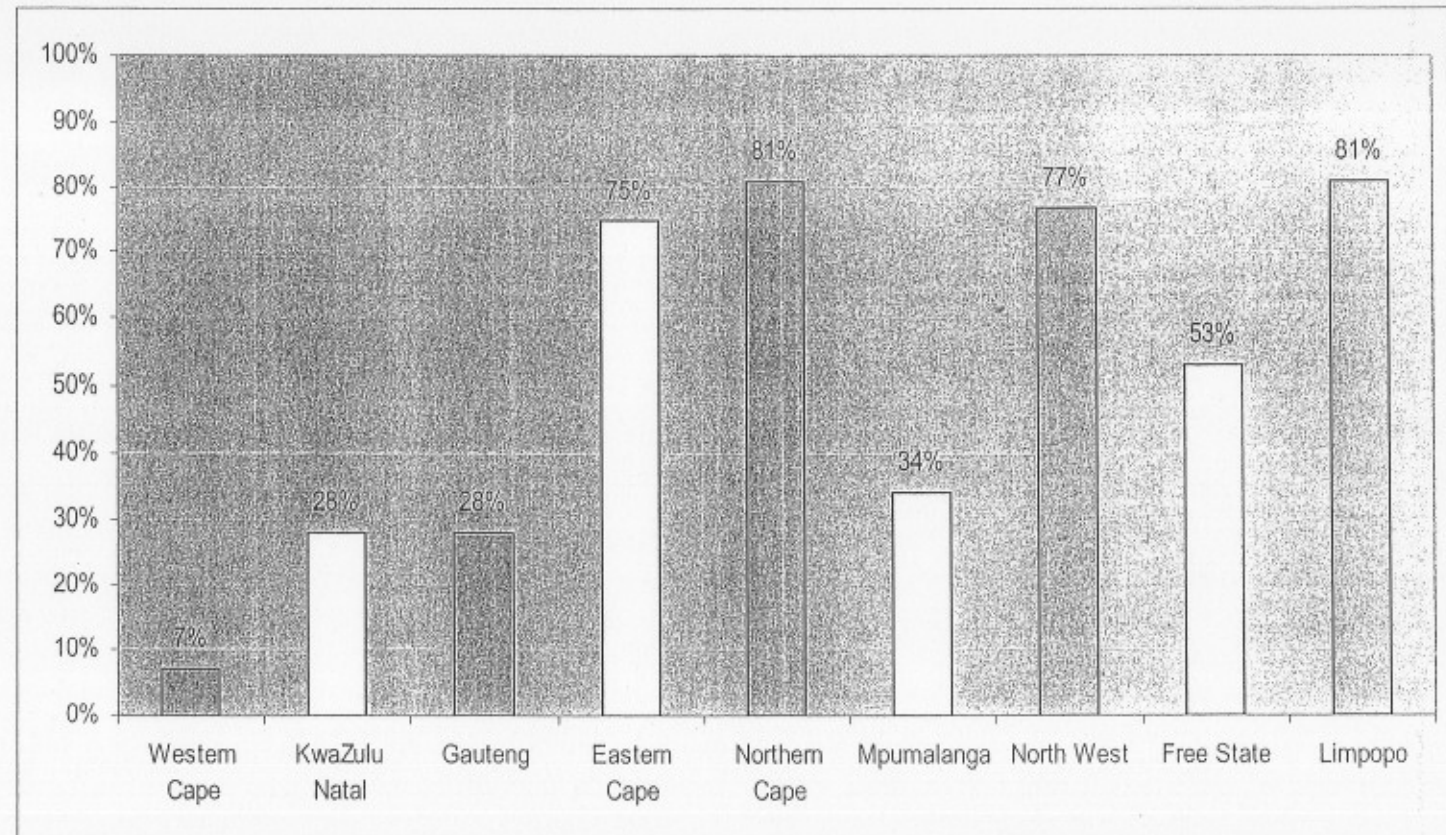


Municipalities 2006-07

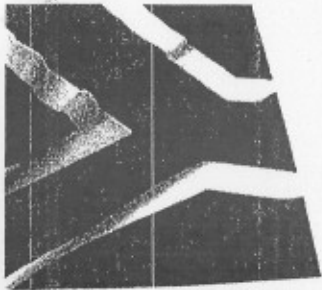
Overall worst case 50% (adverse and disclaimer) audit opinions



AUDITOR - GENERAL



Presentation to the NCOP

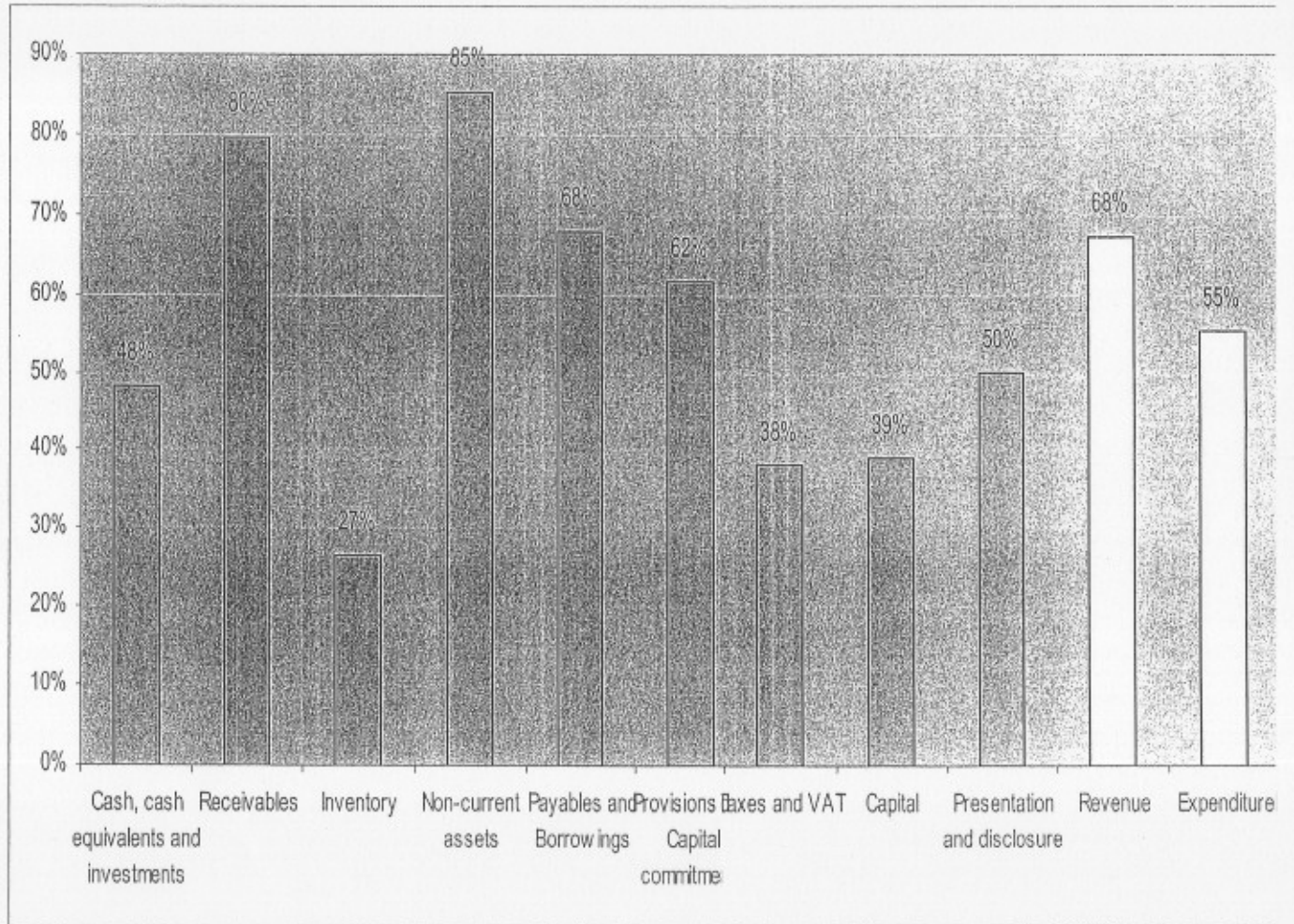


Municipalities 2006-07

Municipalities (191) qualified per audit finding overall



AUDITOR



Presentation to



Municipalities 2006-07

Best practices indicators



AUDITOR - GENERAL

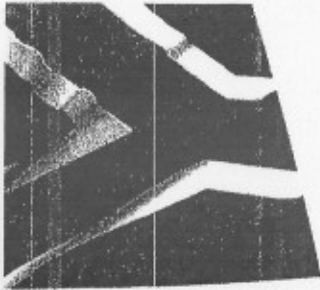


No.	Main findings	Percentage of municipalities achieving best practice indicator
1	Clear trail of supporting documentation that is easily available and provided timely	36%
2	Quality of financial statements and management information	17%
3	Timeliness of financial statements and management information	78%
4	Availability of key officials during audits	50%
5	Development and compliance with risk management and good internal control and governance practices	18%
6	Supervision / monitoring	34%

Overall comment:

1. Overall there remains much scope to improve basic financial management at local government.
2. This is where leadership can play a more visible role to influence adherence to these financial management best practices.

Presentation to the NCOP



Auditor-General's role in relation to municipal audits



AUDITOR - GENERAL



- To monitor progress on the 2008 audit process and implementation of action plans from 2007
- To maintain the visibility of senior management throughout the audit process in order to improve adequate supervision of junior audit staff and private audit firms
- To provide comprehensive analysis on the nature and extent of recurring findings caused by legacy issues that require a solution from National and Provincial Treasuries
- Strengthen cooperation with internal auditors with a view to better planning and coordination of audit execution throughout the year



Presentation to the NCOP



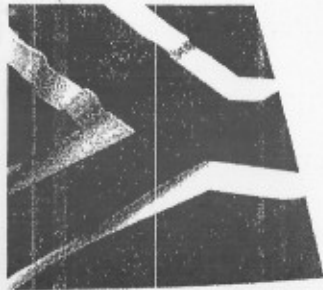
Accountant-General's role in relation to municipal finances



AUDITOR-GENERAL



- To review the appropriateness of grading and categorisation of municipalities in relation to their current status and financial management challenges
- To supplement guidance and training for mayors and municipal managers in relation to financial management accountability, where necessary
- To provide clarity on the basis of accounting frameworks to be applied by municipalities and to provide adequate support to municipalities to implement these frameworks, specifically on issues such as asset management and other account balances linked to legacy issues
- To define the urgent role and focus of internal audit units and audit committees in order to assist with the attainment of unqualified audit reports
- To provide guidance on building the capacity of internal audit, which could include innovative ways of sourcing candidates



MEC's transversal commitments in relation to municipal finances



A U D I T O



- To strengthen the co-ordination between the MEC for Local Government and the MEC for Finance in order to:
 - coordinate the establishment of internal audit units and audit committees including the effective utilisation of internal audit and audit committee shared services, where applicable
 - Coordinate best practices existing in municipalities that received unqualified audit opinions and to utilise this opportunity for knowledge sharing and twinning
 - Provide continuous support to mayors in their monitoring and implementation of financial management action plans, particularly capacity constraints and the effective management of consultants

